

AR79

**9TH
ANNUAL
REPORT
1971**

Creation of processes and products, of ideas and industries, depends on men more than money, on imagination as well as initiative. Seek out creative men with the vision of things to be done. Help breathe life into new ideas and processes and products with capital — and with more than capital — with sensitive appreciation for creative drive; with support in management and manpower; with loyalty to the idea and to its initiator, the creative man.

WHO WE ARE AND WHAT WE DO

Canadian Enterprise Development Corporation Limited (CED) is a Canadian controlled venture capital company. Our purpose is to help men of promise build important businesses by providing capital and management support. Since formation in 1962 we have invested over \$9 million in 30 companies. The shareholders of CED are for the most part substantial financial companies. We are indebted to the men who head these corporations for the courage and vision which gave birth to CED in the first place, and for their continuing interest and support which makes it possible for CED to be strongly committed to those entrepreneurs who have chosen to be associated with us.

Because CED's operations and objectives are different from other enterprises, we are anxious that those who are interested enough to read this report have at least a basic understanding of the nature of the work in which we are engaged.

What is it we do? Fundamentally our task can be stated as: Giving life to a combination of men and ideas. We therefore have to find men and ideas, relate them to one another, fit them together and have the combination become successful.

The idea may be related to a product, a service or a method. It has to be meaningful and have practical applications. There must be a demand for it, although in some cases it may be interesting enough to create its own demand.

The idea may involve new technology or services; it may also refresh an everyday or commonplace activity by providing a different or more comprehensive aspect.

CED invests in any industry which plays a constructive role in the Canadian economy

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED

Head Office: 967 Sun Life Building, Montreal, Canada (514) 868-2764

Western Office: 914-1111 West Hastings Street, Vancouver, Canada (604) 684-3271

Ontario Office: 1400 Toronto Dominion Centre, Toronto, Canada (416) 366-1035

and which appears to have attractive prospects for growth. More specifically:

- CED aids entrepreneurs in developing specific business plans from broadly conceived opportunities.
- CED assists in creating companies and will invest in young companies managed by competent men.
- CED invests in existing companies which appear to have growth potential.
- CED works with large corporations in the development of new companies based on products or ideas which are best exploited as new ventures.
- CED assists Canadian companies which wish to expand into the United States and in overseas markets.
- CED helps foreign companies who wish to build constructive enterprises in Canada, thereby contributing to the economic growth of the country.

2 We provide long-term risk capital carrying an equity participation. We often provide the capital and sponsorship needed to permit companies to attract other forms of capital.

Venture capital as CED practises it is not solely a financial operation, however. Money is one of the many tools necessary; it is not always the most important tool. CED also contributes time; time in the study of new ideas and concepts; time in preparing financial programs for new and young companies; and time in helping ventures with which it is affiliated to become successful business enterprises. Our directors and staff and our associates in Canada and the United States and overseas have many years of experience in finance and industry. Through CED, their technical skills and business judgment are available to all who seek to create and build substantial and worthwhile companies.

CED is constantly looking for new investment opportunities where its capital and skills can be put to constructive and profitable use. It is our continuing task to search for and participate with resourceful men having courage and intel-

ligence and an ambition to create and build the future of Canada. It is our business to assist men such as these to realize their potential and attain their goals.

The arrangements governing an investment by CED are flexible and each opportunity is considered separately. We do not normally ask for ownership control. Most of our investments have been on a minority basis. We believe it is more important that there be a sound relationship based on mutual involvement, trust and respect.

As a general rule, our capital participation in venture opportunities can be considered up to a level of \$500,000. Where more capital is needed, we can often be of assistance in finding partners.

SUBMISSION OF NEW PROJECTS

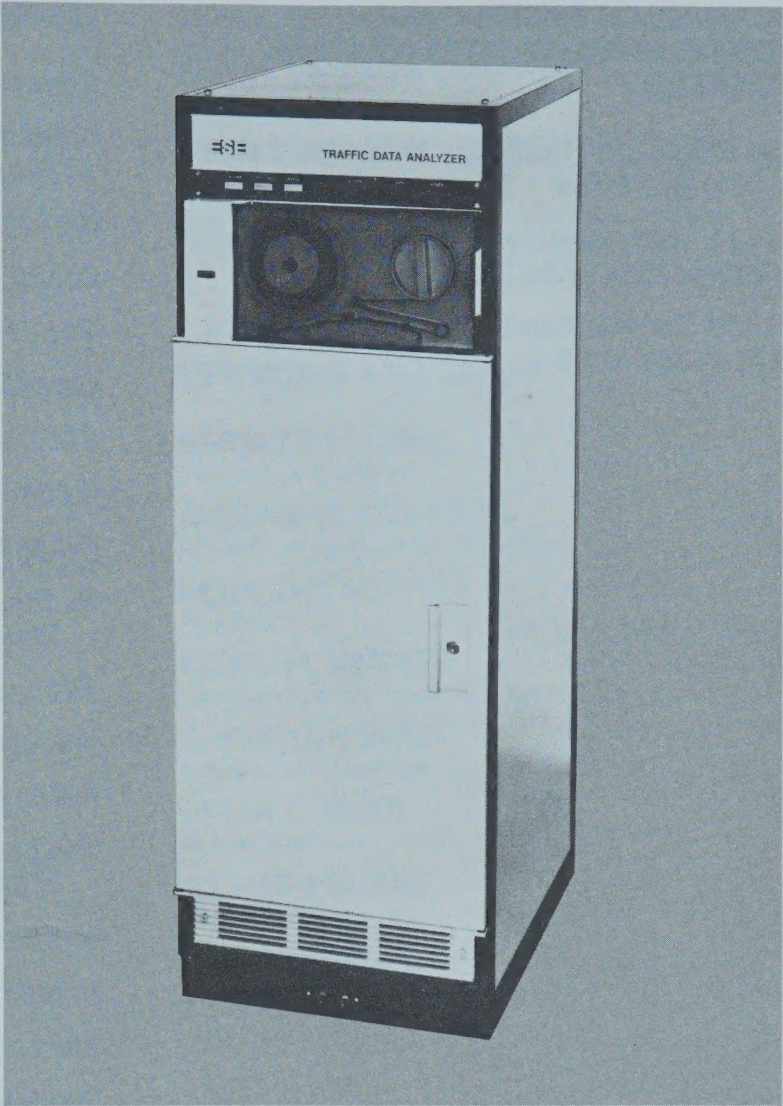
We welcome enquiries or proposals regarding promising new or established projects at any of our three offices in Montreal, Toronto and Vancouver.

In judging an investment opportunity CED places considerable emphasis on evaluating the people involved. Should a project appear to be of interest we endeavour to arrange for an early meeting with the principals. Prior to a personal meeting it is helpful and saves time if we can learn as much as possible about the new project. Proposals should therefore be accompanied by as much information as can be provided about the products, personnel, markets, facilities, financial history and forecasts.

Our degree of interest will be indicated as promptly as possible in any project which is submitted for consideration. Because of the uncertainties surrounding new enterprises and ideas, investigation of projects must frequently be intensive and requires time. A careful, intelligent, constructive, well conducted investigation can lead to a venture with far better hopes of success than an impulsive provision of capital. It is therefore of importance that CED be made aware of new project opportunities and commence its studies as early as possible.

We at CED are not primarily interested in investing capital. Our objective is to help build companies. It is a serious business.

ESE Limited's unique equipment for monitoring and controlling the usage of leased long-distance telephone lines.



3

An exploratory oil well being drilled by Polaris Oil Limited and associates at Penhold, Alberta.



CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED

967 Sun Life Building, Montreal, Canada
(514) 868-2764

1111 West Hastings Street, Vancouver,
Canada (604) 684-3271

1400 Toronto-Dominion Centre, Toronto,
(416) 366-1035

INSTITUTIONAL STOCKHOLDERS

Alliance Mutual Life Insurance Company

American Research and Development
Corporation

Bank of Montreal

Caisse de Dépôt et Placement du Québec

The Canada Life Assurance Company

Canadian Pacific Investments Ltd.

CDFC Holdings Limited

Confederation Life Association

Crédit Foncier Franco-Canadien

Du Pont of Canada Limited Pension
Trust Fund

The Excelsior Life Insurance Company

The Great-West Life Assurance Company

Harris & Partners Limited

The Imperial Life Assurance Company
of Canada

Industrial Acceptance Corporation

Industrial Life Insurance Company

The London Life Insurance Company

The Manufacturers Life Insurance
Company

The Monarch Life Assurance Company

The Mutual Life Assurance Company
of Canada

Nesbitt, Thomson and Company Limited

The Royal Trust Company

Strength Finance & Development Co.
of Canada Ltd.

Succession Honorable J. Marcelin Wilson

Sun Life Assurance Company of Canada

Technical Development Capital Limited

The Toronto-Dominion Bank

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Chairman, *Sun Life Assurance Company of Canada, Montreal*

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President, *Canadian Enterprise Development Corporation Limited, Montreal*

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Professor of Neurosurgery, *Université de Montréal*

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Chairman, *The Manufacturers Life Insurance Company, Toronto*

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Assistant Vice President

PETER G. BARR

Quebec Associate

RICHARD BURKE

Western Associate

D. B. LANGFORD

Ontario Associate

CED Board of Directors.



AMERICAN RESEARCH AND DEVELOPMENT CORPORATION

The John Hancock Building
Boston, Massachusetts
(617) 426-7060

ARD was formed in 1946 with an initial capital of \$3.4 million and has since participated in the development of more than 100 companies. At the end of 1971 it had investments in 45 companies valued at \$409 million, covering a variety of industries including electronics, pharmaceuticals, publishing, industrial control systems, optics and chemicals. The four largest holdings at the end of 1971 were in Digital Equipment Corporation, Teradyne Incorporated, Teledyne Incorporated and Cooper Laboratories. In 1961 ARD became the first company of its kind to have its shares listed on the New York Exchange.

BOARD OF DIRECTORS OF ARD

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GEORGES F. DORIOT

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Morgan Guaranty Trust Company of New York.

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President, *Digital Equipment Corporation.*

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Consultant, *Massachusetts Financial Services, Inc.*

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President, *The Carborundum Company.*

HONORARY DIRECTORS

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OSCAR W. HAUSSERMANN

LESSING J. ROSENWALD

ARD

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WILLIAM H. CONGLETON

Senior Vice President.

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Secretary and Treasurer.

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Vice President.

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Vice President.

DANIEL J. HOLLAND

Assistant Vice President.

PATRICIA A. CLARK

Assistant Secretary and Assistant Treasurer.

ROBERT E. RHODES

California Correspondent.

Suite 2344

Union Bank Square

445 S. Figueroa St.

Los Angeles, California 90017

213-689-4420

7

ARD Board of Directors.



**EUROPEAN ENTERPRISES
DEVELOPMENT COMPANY,
EED, S.A.**

38, rue du Général Foy, Paris 8°, France
387 33-59

37, rue Notre-Dame, Luxembourg

EED was organized in 1963 with objectives and policies similar to those of ARD and CED. EED has invested in over 30 companies located in 10 European countries. Through its 60 shareholder financial institutions, EED has correspondents in 15 European countries. There are now two additional service companies, in Germany and Great Britain, working for EED.

DIRECTORS

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Partner, *Lombard, Odier & Cie., Geneva*

CARLO BOMBIERI

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President, *American Research and
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Managing Director, *Amsterdam-Rotterdam Bank N.V.,
Amsterdam*

JOHAN MELANDER

Managing Director, *Den norske Creditbank, Oslo*

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Vice President and Délégué, *Crédit Lyonnais, Paris*
Chairman, *Institut de Développement Industriel, Paris*

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Morgan Guaranty Trust Company, London

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Chairman, *Dunlop S.A., Paris*

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VINCENT DEBRÉ

JEAN GUEROULT
Executive Vice President

ARNO MORENZ

ALAIN-MAURICE RONDEST

JOEL de ROSNAY

MARIE-JOSE TAUBE

DERYCK H. TWEEDLEY

LISTER VICKERY

ARNAUD de VITRY
President

ADVISERS

PIERRE CASIMIR-LAMBERT

GASTON LEBOULLEUX

BRUNO ROUX de BEZIEUX

PHILIPPE de VENDEUVRE

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Germany:
RANDOLF HARTMANN

Great Britain:
W. JOHN DUNBAR

EED Board of Directors.



**COMMONWEALTH DEVELOPMENT
FINANCE COMPANY
LIMITED (CDFC)**

1 Union Court, Old Broad Street,
London, EC2 IEA, England.
01-283-9571

CDFC was established in 1953 to provide finance for economic development and business enterprise in Commonwealth countries. The shareholders of CDFC comprise over 160 leading companies, broadly representative of British industry and the City of London. They include the Bank of England and the Central Banks of a number of other Commonwealth countries.

The CDFC Group has investments in more than 125 undertakings. They are spread over a wide range of industry in 31 different countries, and have a book value of more than \$65 million. Since group policy is normally to take a minority position, the total capitalisation of the undertakings in which it is interested is many times this figure. Its investment activity now includes countries other than Commonwealth countries.

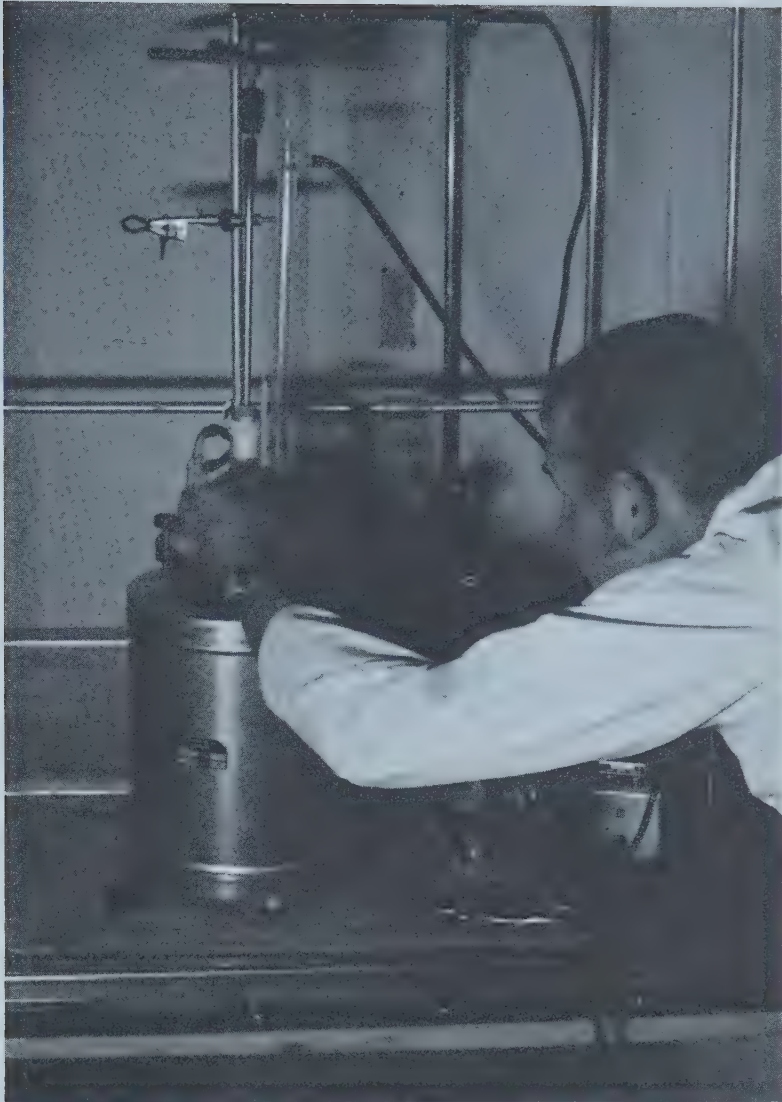
DIRECTORS OF CDFC

- SIR GEORGE BOLTON, K.C.M.G.**
Chairman
Director, *Lloyds & Bolsa International Bank Limited*
Director, *Canadian Pacific Limited*
- SIR DUNCAN OPPENHEIM**
Deputy Chairman
President, *British American Tobacco Company Limited*
Director, *Lloyds Bank Limited*
- B. BERKOFF**
Managing Director
- R. G. DYSON**
Deputy Chairman, *Barclays Bank International Limited*
- THE EARL OF INCHCAPE**
Chairman, *Inchcape & Co. Limited*
- H. F. OPPENHEIMER**
Chairman, *Anglo American Corporation of South Africa Limited*
- J. G. PHILLIMORE, C.M.G.**
Managing Director, *Baring Brothers & Co. Limited*
- SIR ERIC ROLL, K.C.M.G., C.B.**
Director, *Bank of England*
- DR. E. G. WOODROOFE**
Chairman, *Unilever Limited*
- SIR RICHARD YOUNG**
Chairman, *Alfred Herbert Limited*

OFFICERS AND STAFF OF CDFC

- SIR GEORGE BOLTON**
Chairman
- SIR DUNCAN OPPENHEIM**
Deputy Chairman
- B. BERKOFF**
Managing Director
- D. F. PEARL, C.B.E.**
Area Director
- G. W. ROTHERY, O.B.E., M.C.**
Area Director
- D. A. WIGHTON, C.A.**
Secretary
- P. R. GROSSEY**
Regional Director, S.E.Asia
- K. J. NORMAN**
Regional Director, Caribbean and Latin America

*High precision quality control
testing at Magadyne Industries Ltd.*



11

*A display of equipment,
furniture and tableware
supplied by Cassidy's
Limited, subsidiary
of Continental
Manufacturers Ltd.*



PORTFOLIO COMPANIES

A & W DRIVE-INS (FUNDY) CO. LTD.

212 - 10 Shorncliffe Road, Islington, Ont.
Tel.: 416-236-1218

Owns and operates a group of drive-in restaurants in Northern Ontario and the Maritime Provinces and is developing a new restaurant concept under its own trade name in central Canada.

*BAY MILLS LIMITED

1 Hugel Avenue E., Midland, Ont.
Tel.: 705-526-7867

Fabricator of fibreglass products and non-woven materials.

CANENDEV INVESTMENTS LIMITED

967 Sun Life Building, Montreal, P.Q.

Wholly-owned investment subsidiary of CED.

*CENTRAL DYNAMICS LTD.

147 Hymus Blvd., Pointe Claire, P.Q.
Tel.: 514-697-0810

Manufacturer of advanced electronic equipment for video broadcasting and utilities. A subsidiary manufactures high-speed, remote-batch computer terminals.

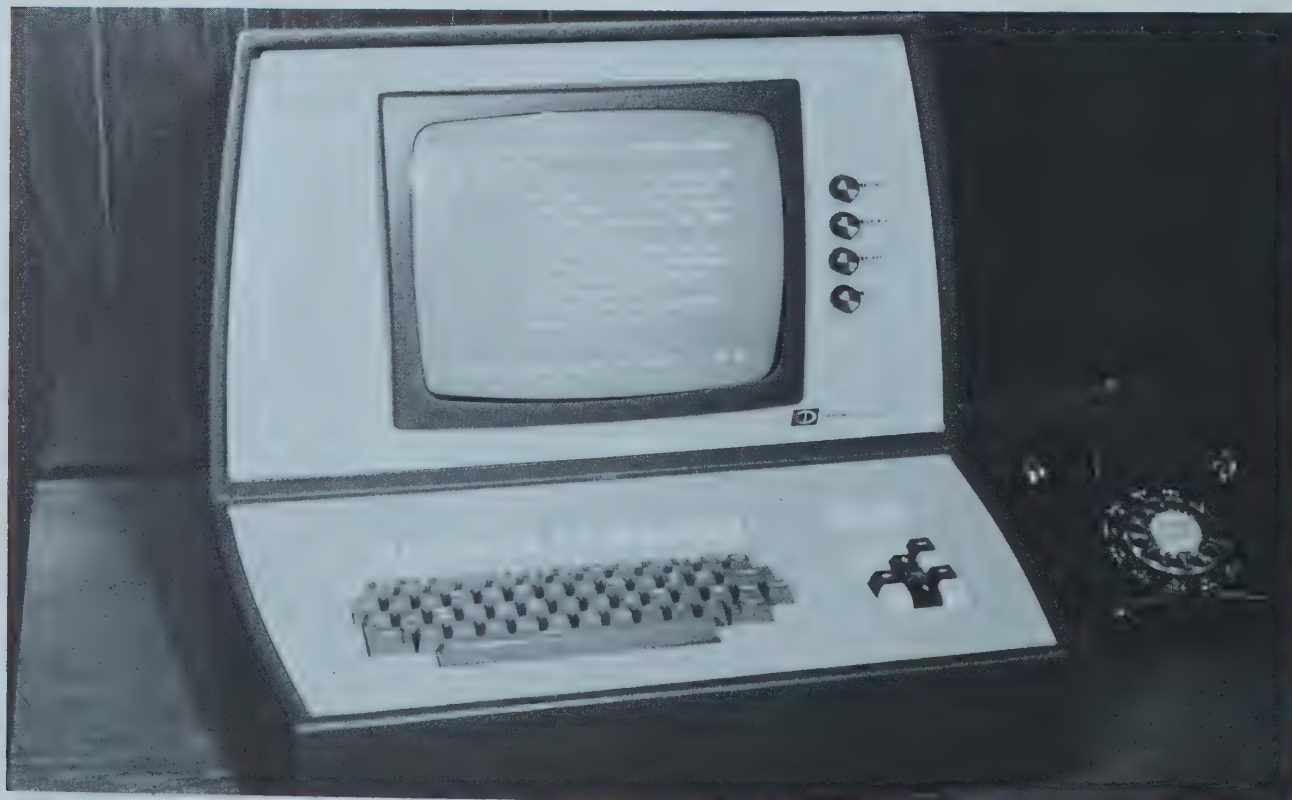
CONTINENTAL MANUFACTURERS LTD.

407 McGill St., Montreal, P.Q.
Tel.: 514-842-5486

Holding company with controlling interest in Cassidy's Limited.

*Annual Reports are available from these companies.

Keyboard entry terminal for a television automation system produced by Central Dynamics Ltd., a world leader in the manufacture of automated video broadcast equipment.



CRYSTAL CABLEVISION, INC.

524 Fifteenth Ave. E., Seattle,
Washington 98102.

Tel.: 206-329-4400

Owns and operates a community antenna
cable T.V. system in Seattle.

ESE LIMITED

1780 Albion Road, Rexdale, Ont.

Tel.: 416-749-2271

Manufacturer of data communications
equipment and digital control devices.

***EUROPEAN ENTERPRISES
DEVELOPMENT COMPANY**

37, rue Notre Dame, Luxembourg, and
38, rue du Général-Foy, Paris 8. France

Tel.: 387 33-59

European venture capital company with
objectives and policies similar to
those of CED.

***EVANGELINE SAVINGS AND
MORTGAGE COMPANY**

198 Water Street, Windsor, N.S.

Tel.: 902-798-8328

New savings and loan company to serve
the Maritime Provinces.

FACEMASTER INTERNATIONAL LIMITED

402 West Pender Street, Vancouver, B.C.

Tel.: 604-688-4628

Company formed to develop new
automatic machine to produce concrete
building blocks with impregnated facings
of stone, quartz, shells or other desired
materials.

**GLASROCK PRODUCTS OF
CANADA, LTD.**

580 Rennie St., Hamilton, Ont.

Tel.: 416-547-7846

Distributor of refractory materials and
products including fused silica products
for use in the continuous casting of steel
and in the glass, metal forming and aero
space industries.

Crystal Cablevision's expanding Seattle based CATV system.



HERMES ELECTRONICS LIMITED
Esson Road, Dartmouth, N.S.
Tel.: 902-466-7491
Manufacturer of oceanographic
electronic equipment.

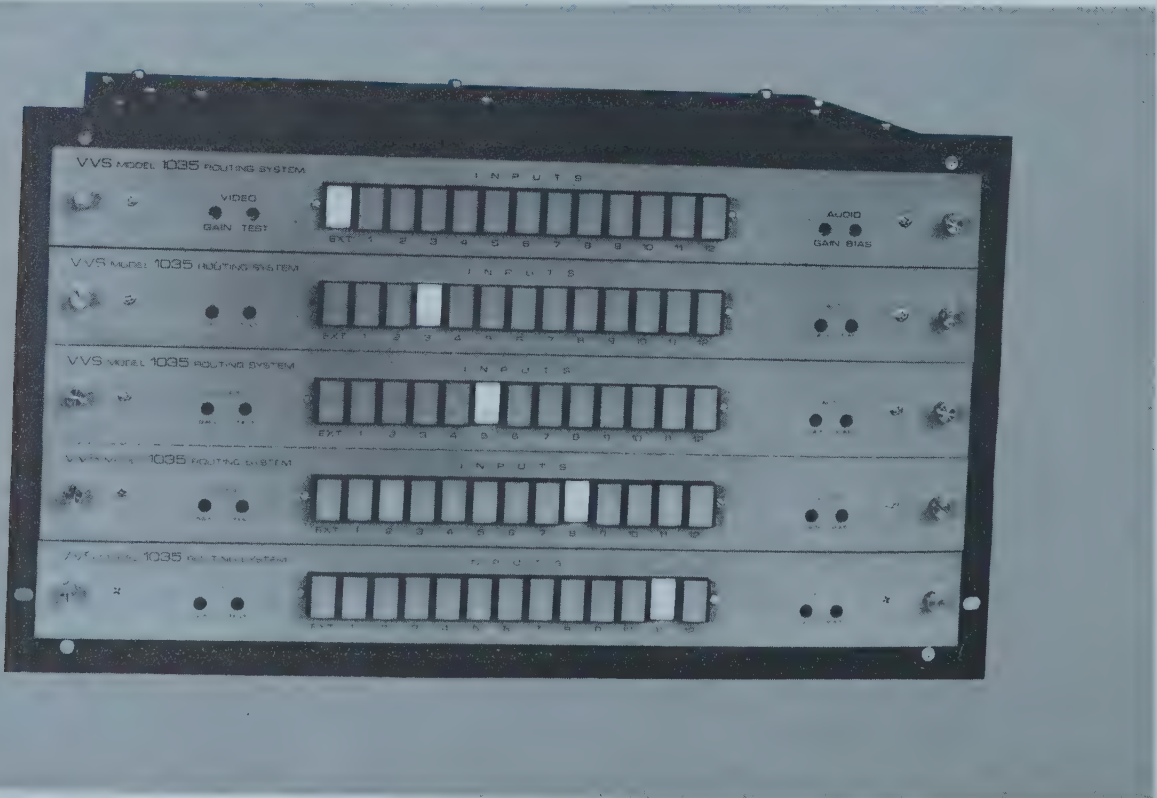
HOLBOROUGH INVESTMENTS LIMITED
Suite 1212, 401 Bay Street, Toronto, Ont.
Tel.: 416-366-2706
A company formed to engage in diverse
activities in the field of real estate.
CED acquired its interest in Holborough
through exchange of its shareholding
in The Mortgage Insurance Company
of Canada.

*LOGISTEC CORPORATION
276 St. James St. W., Montreal, P.Q.
Tel.: 514-844-9381
Transportation company engaged in
container handling, stevedoring, ship
agency business and the bulk trucking
of commodities.

*MAGADYNE INDUSTRIES LTD.
6910 - 72 Avenue, Edmonton, Alta.
Tel.: 403-466-1176
Manufacturer of polyvinyl chloride flexible
pipe and other plastic products.
Also conducts research in chemicals
and plastics.

*Annual Reports are available from these companies.

The new audio-video routing switcher manufactured by Viscount Electronics Ltd.



POLARIS OIL LIMITED

970 Elveden House, Calgary, Alta.
Tel.: 403-262-2291

Petroleum exploration and development company.

STEDFAST SCREW COMPANY LTD.

4950 Des Grandes Prairies,
Montreal, Quebec.
Tel.: 514-325-8010

New company established to manufacture specialty fasteners for electronic, furniture and other industries.

VISCOUNT ELECTRONICS LTD.

105 E. 69th Avenue, Vancouver 15, B.C.
Tel.: 604-327-9446

A Vancouver based manufacturer of solid state video and audio switching equipment aimed at the educational television (ETV), industrial closed circuit television (CCTV) and the community antenna television (CATV) markets.

WESTMILLS CARPETS LIMITED

P.O. Box 608, Kelowna, B.C.
Tel.: 604-765-5192

New company to manufacture tufted carpets for the western Canadian market.



SABB's Montreal container terminal in action. SABB is an affiliate of Logistec Corporation.

NINTH ANNUAL REPORT TO SHAREHOLDERS

CED continued to progress in 1971. Share capital was increased by the receipt of \$2,410,250 from the issuance of 241,025 shares at a price of \$10, this representing the third and fourth installments of the Rights Offering to Shareholders as described in the 1969 Annual Report. As these funds were temporarily invested in short-term securities, income rose and our net profit amounted to \$158,117 for the year compared with \$46,326 in 1970. CED's net asset value per share, at \$11.09 on December 31, 1971, was slightly higher than that of \$10.37 at December 31, 1970. The issuance of additional shares under the Rights Offering had the effect of reducing net asset value per share, but this was more than offset by an improvement in net unrealized appreciation.

A policy of valuation has continuously been followed which the Board of Directors consider to be conservative and reflective of values which, in the aggregate, are less than fair market value. In any event, shareholders should recognize that it is difficult to establish values for the shares of young companies in the early stages of growth and should not, therefore, construe these values as those which might ultimately be realized on sale or other disposition, which might be greater or less.

Two new companies were added to CED's portfolio during the year. Continental Manufacturers Limited is a private holding company whose major asset is a controlling interest in Cassidy's Ltd., Canada's largest distributor of hotelware and giftware. Polaris Oil Limited is a new petroleum exploration and development company organized in Calgary. In addition, a total of \$480,497 was invested in existing portfolio com-

panies to meet their capital needs. These and other transactions are summarized elsewhere in this Report.

At a meeting of the Board of Directors held on December 6, 1971, Dr. Claude Bertrand was elected a Director of the Company. A distinguished neurosurgeon who has pioneered the development of new medical equipment, Dr. Bertrand adds a new dimension to our Board.

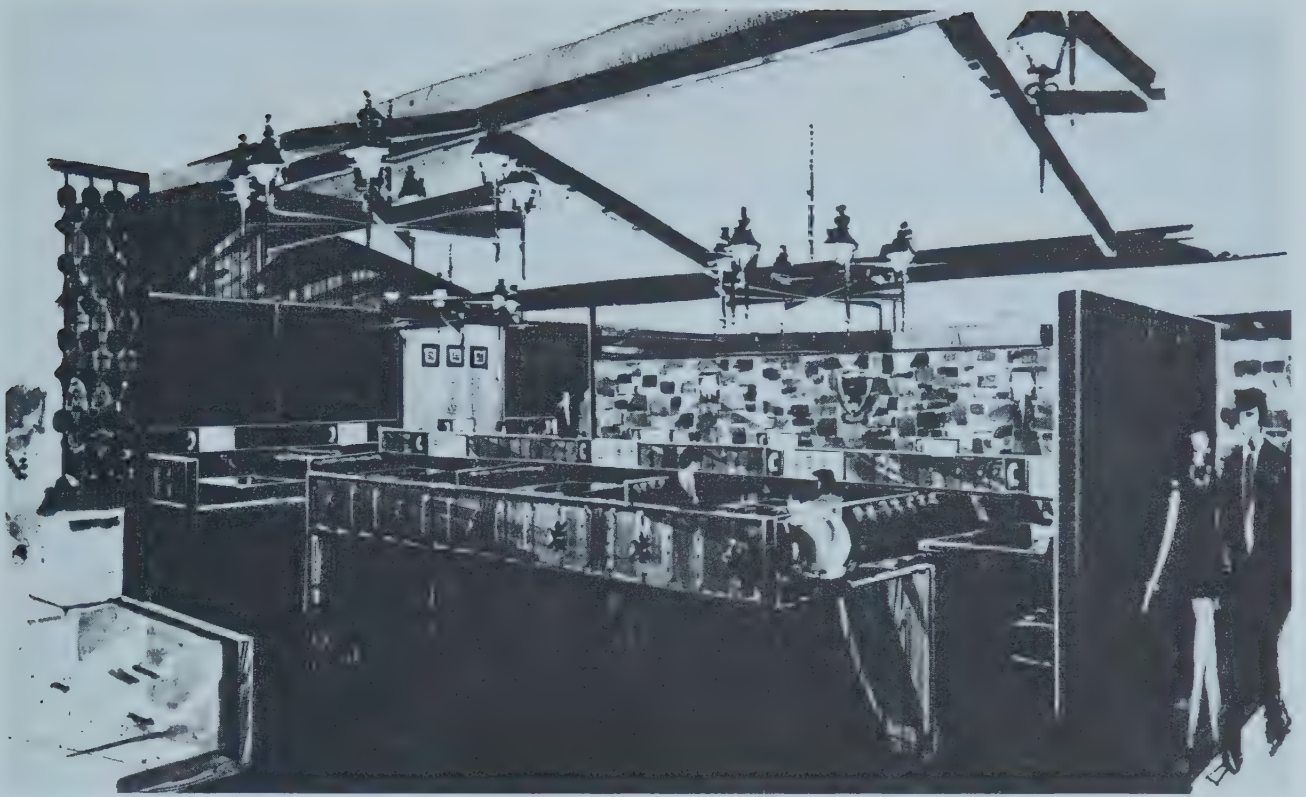
During the past year CED's portfolio companies introduced a number of new products — an automatic video tape editor, an audio/video routing switcher, a device to analyze long-distance telephone traffic for the larger telephone subscribers, a new (for Canada) foam backed drapery material — or developed new techniques and services designed to broaden their market or enhance their competitive position.

Some of these have already proven their merit; for others it is too early to tell. In each instance, however, management showed an alertness to a new opportunity and took a calculated risk. The new thought, analyzed, tested and refined before a full commitment is made, is an essential ingredient of progress. It is not always easy to think of the future, however, when customers postpone orders or there is not enough money in the bank to meet the payroll.

We at CED would like to express our appreciation to those fine men who carry the responsibility of management in our portfolio companies, particularly to those who faced a difficult business environment in 1970 and early 1971 and, while persevering with the problems at hand, at the same time prepared for the way ahead.

H. H. LANK

G. D. SUTTON



Interior sketch of the first "Jasper's" Restaurant opened by A&W Drive-Ins (Fundy) Ltd. This facility incorporates many innovations and improvements in fast-food dining.

17

The leases on this commercial building are insured by The Mortgage Insurance Company of Canada.



**PRINCIPAL PORTFOLIO CHANGES
DURING 1971**

PURCHASES

Advanced Transducer Systems Ltd.	\$250,000	Notes
Central Dynamics Ltd.	5,000	Debenture with warrants
Central Dynamics Ltd.	10,000	Common shares
Continental Manufacturers Ltd.	105,000	Common shares
Crystal Cablevision, Inc.	50,492	Common shares
Holborough Investments Limited	100,005	Common shares
Polaris Oil Limited	100,000	Common shares
Viscount Electronics Ltd.	25,000	Note with warrants
Viscount Electronics Ltd.	25,000	Common shares
Viscount Electronics Ltd.	15,000	Option on shares

DISPOSITIONS

Advanced Transducer Systems Ltd.	\$ 30,000	Repayment of Notes
Trans-Pacific Leasing, Inc.	129,560	Retirement of debentures
Trans-Pacific Leasing Services, Ltd.	238,863	Retirement of debentures
Westmills Carpets Limited	7,040	Sale of shares

OTHER PORTFOLIO CHANGES

Hermes Electronics Limited	\$ 1,500	Preferred and common shares received in exchange for shares in Advanced Transducer Systems Ltd.
Stedfast Screw Company Ltd.	49,457	Notes acquired in exchange for short-term liabilities due CED.
Trans-Pacific Leasing, Inc.	101,921	} Debentures acquired in connection with CED rights offering to shareholders.
Trans-Pacific Leasing Services, Ltd.	176,363	

AUDITORS' REPORT

The Shareholders,

Canadian Enterprise Development Corporation Limited.

We have examined the consolidated balance sheet of Canadian Enterprise Development Corporation Limited and subsidiary, Canendev Investments Ltd., as at December 31, 1971 and the consolidated statements of income and retained earnings, and gains and losses for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. It was not practicable for us to substantiate the values, determined by the Board of Directors of the Company, of certain investments for which market quotations were not available.

In our opinion, subject to the fairness of the values referred to above, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
Chartered Accountants.

Montreal, Que.
January 19, 1972.

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED**AND****CANENDEV INVESTMENTS LTD.****(Incorporated under the Canada Corporations Act)****CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1971****ASSETS**

	1971	1970
Current:		
Cash	\$ 16,838	\$ 12,528
Short-term investments at cost which approximates market	5,107,434	3,112,270
Accrued revenue and miscellaneous receivables	139,397	184,805
	<u>5,263,669</u>	<u>3,309,603</u>
Investments at market value or fair value as determined by the Directors (Note 2)	6,774,307	5,382,940
Furniture and equipment at cost, less accumulated depreciation	9,127	10,072
	<u>\$12,047,103</u>	<u>\$8,702,615</u>

20 **LIABILITIES**

Current:		
Accounts payable and accrued liabilities	\$ 19,432	\$ 26,266

SHAREHOLDERS' EQUITY

Capital stock (Notes 3 and 4)		
Authorized — 2,000,000 shares of no par value		
Issued — 1,084,650 shares (1970 — 843,625)	10,882,657	8,472,407
Retained earnings	330,288	172,171
Accumulated realized net losses on investments	(204,333)	(200,195)
Unrealized appreciation of investments	1,019,059	231,966
	<u>12,027,671</u>	<u>8,676,349</u>
	<u>\$12,047,103</u>	<u>\$8,702,615</u>

On behalf of the Board:

H. H. LANK, Director

G. D. SUTTON, Director

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED
AND
CANENDEV INVESTMENTS LTD.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970
Income:		
Income from short-term investments	\$321,796	\$201,773
Income from long-term investments, including consulting fees	191,195	173,839
Income from other sources	600	433
	<u>513,591</u>	<u>376,045</u>
Expenses: (Note 5)		
Salaries	168,571	157,327
Other expenses	182,625	167,091
	<u>351,196</u>	<u>324,418</u>
Net income before undernoted items	162,395	51,627
Income taxes	98,278	5,301
Net income before undernoted item	<u>64,117</u>	<u>46,326</u>
Reduction in income taxes due to carry forward for tax purposes of prior years' losses	94,000	—
Net income for the year	<u>158,117</u>	<u>46,326</u>
Retained earnings at beginning of year	172,171	125,845
Retained earnings at end of year	<u>\$330,288</u>	<u>\$172,171</u>

CONSOLIDATED STATEMENT OF GAINS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970
Accumulated realized net (losses) gains at beginning of year	\$ (200,195)	\$ 45,216
Realized gains for the year	612	344,075
	<u>(199,583)</u>	<u>389,291</u>
Realized losses for the year	4,750	589,486
Accumulated realized net losses at end of year	<u>\$ 204,333</u>	<u>\$200,195</u>

(Income taxes relating to realized losses, to the extent that they have been claimed for tax purposes, have been reflected in the statement of income. Income taxes that would have been payable in respect of 1971, had there been no losses realized during the year, would have been \$101,000, and in respect of 1970, \$68,000)

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED
AND
CANENDEV INVESTMENTS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1971

1. Principles of Consolidation

The consolidated financial statements include the accounts of a wholly owned subsidiary, Canendev Investments Ltd.

The accounts of another company in which Canadian Enterprise Development Corporation Limited owns more than 50% of the shares have not been consolidated because of differences in operations: the Company is an investment company whereas the partially owned subsidiary is an operating company.

Statement of Source and Application of Funds

Such a statement has not been included because it would not provide meaningful information.

2. Investments

The investments comprise the following:

	1971		1970	
	<i>Cost</i>	<i>Market or Fair Value</i>	<i>Cost</i>	<i>Market or Fair Value</i>
Investments				
Quoted shares	\$1,172,668	\$1,658,303	\$1,162,668	\$1,456,046
Unquoted shares	2,599,312	3,304,503	2,209,356	2,320,507
Loans and advances	1,983,268	1,811,501	1,778,950	1,606,387
	<u>\$5,755,248</u>	<u>\$6,774,307</u>	<u>\$5,150,974</u>	<u>\$5,382,940</u>

At December 31, 1971, investments at cost and fair value included \$726,000 and \$1,032,000, respectively, for unquoted shares in an unconsolidated subsidiary, and \$50,000 for a loan thereto.

3. Capital Stock

Changes in the outstanding capital stock of Canadian Enterprise Development Corporation Limited were as follows:

	1971	1970
Outstanding at January 1	\$ 8,472,407	\$5,562,282
Issued under terms of 1969 offering:		
175,689 shares for cash (1970 — 175,275)	1,756,890	1,752,750
65,336 shares for securities (1970 — 65,750)	653,360	657,500
46,500 shares for cash in 1970		499,875
Outstanding at December 31	<u>\$10,882,657</u>	<u>\$8,472,407</u>

4. Stock Options

Options have been granted in 1971 by the Company for the purchase of shares at various times at the price of \$10 each, as follows:

	<i>Periods during which options can be exercised</i>	<i>Total cumulative no. of shares</i>
To officers	May 1971 to July 1976	20,000
To other employees	February 1973 to December 1978	20,000

No options have been exercised to December 31, 1971.

5. Expenses

	1971	1970
Expenses included:		
Depreciation	\$ 2,282	\$ 2,518
Remuneration to directors and officers of Canadian Enterprise Development Corporation Limited:		
As directors	6,300	6,500
As officers (two only received remuneration)	75,333	65,792

During 1970 and 1971, there were 13 directors during all or part of the year, and 4 officers of which 3 were also directors. No remuneration was paid to directors and officers of Canadian Enterprise Development Corporation Limited by its subsidiaries.

**CANADIAN ENTERPRISE DEVELOPMENT
CORPORATION LIMITED**